

# REQUEST FOR PROPOSAL TO PREQUALIFY PROVIDERS OF AUDIT SERVICES FOR COTTONWOOD HEIGHTS

## I. BACKGROUND INFORMATION

The city of Cottonwood Heights was incorporated on January 14, 2005 and currently has the following Governmental funds: A General Fund, which includes General Long Term Debt, and General Fixed Assets (including Infrastructure), and a Capital Projects Fund. Also, the city has the following Proprietary funds: An Internal Service Fund for Employee Benefits for accumulating funding for and allocation of costs for accrued paid time off or PTO . It is possible that by the end of the audit term, the City would add an Enterprise Fund for operations and capital construction of storm water systems and management.

Total revenue and other sources for funds of the city is approximately \$15,000,000 for the fiscal year ending June 30, 2011. The top five groups of expenditures are the Police, Public Works, which includes the contract with Salt Lake County Public Works Department for much of the service provided, the contract to Unified Fire Authority for fire services, General Fund support of the Capital Projects Fund projects, and the City Manager operation, which pays for most of the citywide general administrative operating expenditures. Together these five groups make up 82% of the budget. Cottonwood Heights uses Caselle Clarity software for the following applications: general ledger, accounts payable, accounts receivable, cash receipting, business licensing, animal licensing, timekeeping/payroll, and human resources. The City has purchased the Caselle fixed assets application but is waiting for the Clarity version to become available to begin using it. The City also, has no bonded debt and does not have any utilities that are billed.

Cottonwood Heights is required by State law to provide an annual audit of its financial statements by a Certified Public Accountant in accordance with generally accepted auditing standards. This audit report must be submitted to the State Auditor's Office within six months after the end of the fiscal year.

## II. OBJECTIVE AND SCOPE

An audit is requested for the fiscal year ended June 30, 2012. The audit shall be performed in accordance with generally accepted auditing standards, as promulgated by the American Institute of Certified Public Accountants (AICPA); the *AICPA Audits of State and Local Governmental Units* audit and accounting guide; and the *Government Auditing Standards*, published by the U.S. General Accounting Office.

The audit must be completed, and the report issued prior to December 10, 2012. The auditor, at the City's request, will deliver a copy of the complete Financial Statements and Reports to the State Auditor's Office and copies to Cottonwood Heights.

The auditor will report to the Director of Finance but will work very closely with the City Treasurer/Financial Reporting Manager for day-to-day coordination.

Cottonwood Heights will be responsible for preparing and printing the Comprehensive Annual Financial Report (CAFR). This will be the first year that Cottonwood Heights will prepare a CAFR, and submit to the Government Finance Officers Association (GFOA) for consideration of the Certificate of Achievement for Excellence in Financial Reporting. The technical expertise of the firm will be relied upon to receive this certificate. All fieldwork for the financial audit, review and editing of the CAFR, and delivery of the audit opinion on firm letterhead will be required to be completed and delivered to the City by November 30, 2012.

### III. REPORT REQUIREMENTS

The auditor shall examine the financial statements and records of the City and shall issue an auditor's opinion on the City's financial statements with an in-relation-to opinion on combining supplementary information, if any. Such financial statements shall be prepared in conformity with generally accepted accounting principles (GAAP).

The auditor shall issue a compliance report based on an audit of the basic financial statements and a report on the internal control structure; both in accordance with *Government Auditing Standards (GAS)*.

The auditor shall prepare and include a statement expressing positive assurance of compliance with State fiscal laws identified by the state auditor and other financial issues related to the expenditure of funds received from Federal, State, or local governments.

The auditor shall prepare a comprehensive management letter including the auditor's findings and recommendations relative to the internal accounting and administrative controls, compliance with laws and regulations as applicable and adherence to GAAP.

The auditor shall include the written responses from Cottonwood Heights for each recommendation included in the state compliance letter and the management letter required by the *State of Utah Legal Compliance Audit Guide*.

### IV. AUDIT TERM

If the selected certified public accounting firm performs satisfactorily for the June 30, 2012 audit, it is anticipated that the same firm will be engaged to perform the audit for the succeeding 4 years, subject to an annual evaluation and Cottonwood Heights City council appropriation. But, in any event, it will not exceed six years.

### PROPOSAL QUALIFICATION REQUIREMENTS

Interested certified public accounting firms should include the following information in their proposal to perform the audit of the fiscal year ending June 30, 2012:

A. Title Page

Show the subject, the name of the proposer's firm, local address, telephone number, name of contact person, and the date.

B. Table of Contents

Include a clear identification of the material by section and by page number.

C. Profile of the Independent Auditor

The profile of the Audit Firms Responding to this RFP should provide general background information. This should include:

1. The organization and size of the Firm, whether it is local, regional, national, or international in operations.
2. The locations of the office from which the work is to be done and the number of professional staff, by staff level, employed at the office.
3. A statement on the proposer's staff capability to audit computerized systems.
3. The names and qualifications of staff that would be assigned to this audit.
4. A positive statement that the following mandatory criteria are satisfied:
  - a. An affirmation that the Firm is properly licensed for practice as a certified public accountant in the State of Utah.
  - b. An affirmation that the Firm meets the independence requirements of the American Institute of Certified Public Accountants and the *Government Auditing Standards*, published by the U.S. General Accounting Office.
  - c. An affirmation that the firm meets the continuing education and external quality control review requirements contained in the *Government Auditing Standards*, published by the U.S. General Accounting Office.
  - d. An affirmation that the firm is not under investigation or indictment.

D. Proposer's Qualifications

1. Identify the audit partners, audit manager, and field supervisors who will work on the audit, including staff from other than the local office. Résumés including relevant experience and continuing education for the staff auditors up to the individual with final responsibility for the engagement should be included.

2. Describe the recent local office auditing experience similar to the type of audit requested.
3. If other auditors are to participate in the audit, those auditors should be required to provide similar information.

E. Proposer's Approach to the Examination

Submit a general audit work plan to accomplish the scope defined in these guidelines. The audit work plan should demonstrate the proposer's understanding of the audit requirements and the audit tests and procedures to be applied in completing the audit plan. The plan should detail the expected number of audit hours by staff level. The planned use of specialists should also be specified.

Note: Auditor must inform the City of what schedules and financial statements the City must complete prior to auditor beginning field work.

F. Time Requirements

Detail how the reporting deadline requirements of the audit will be met.

G. Fees

Supply the billing rates, estimated number of billable hours, other billable expenses and a "not-to exceed" fee for the audit, inclusive of travel, per diem and all other out-of-pocket expenses. As noted in section IV, it is expected that if the selected certified public accounting firm performs satisfactorily for the June 30, 2012 audit, it will be engaged to perform the audit for the succeeding four years with the option to extend two additional years. Therefore, the not-to-exceed fee information requested above should be provided on an annual basis for six years.

H. Other Services

Include a separate fee for:

1. The use of the opinion and audited financial statements when issuing bond, tax anticipation notes, bond anticipation notes or any other financing mechanism,
2. The anticipated cost of performing arbitrage and rebate calculations, and
3. The hourly rate for extra work assigned.

I. Non-discrimination Clause

Affirm that the firm does not discriminate against any individual because of race, religion, sex, color, age, handicap or national origin, and that these shall

not be a factor in consideration for employment, selection of training, promotion, transfer, recruitment, rates of pay, or other forms of compensation, demotion, or separation.

J. Indemnity Provision

Auditor agrees to defend, indemnify, and hold harmless Cottonwood Heights, its officials, employees, representatives, and volunteers from and against any and all claims, demands defense costs, liability, or consequential damages of any kind or nature arising from auditor's negligent or wrongful conduct or from their duties as Cottonwood Heights' auditor, and from its performance or failure to perform, under the terms of this agreement.

K. Additional Information

Since data not specifically requested must not be included in the foregoing proposal sections, give additional information considered essential to the proposal in this section. (Publications of the proposer, such as directories, articles, and lists of clients will not be included). If there is no additional information to present, state in this section, "There is no additional information".

VI. CONTRACTUAL ARRANGEMENTS

- A. Audit programs, work papers and reports must be retained for a period of three years after the completion of the audit and made available for inspection by Cottonwood Heights or government auditor's if requested by them.
- B. Payment for the audit will be made monthly based upon work in process balances.
- C. Cottonwood Heights' staff will be available to prepare schedules, trial balances, and provide documentation to assist the auditor as their schedules permit during the course of the audit.

VII. EVALUATION OF PROPOSALS

The following criteria will be considered when making an evaluation of the proposals:

A. Technical Factors

- 1. Responsiveness of the proposal in clearly stating an understanding of the audit services to be performed
  - a. Appropriateness and adequacy of proposed procedures.
  - b. Reasonableness of time estimates and total audit hours.
  - c. Appropriateness of assigned staff levels.

2. Technical experience of the firm in auditing local governments of similar size
3. Technical experience of the firm is assisting in efforts to obtain the Government Finance Officer's Association's Certificate of Achievement for Excellence in Financial Reporting
4. Qualifications of staff
5. Size and structure of firm, considering the scope of the audit
5. Geographic location of key personnel and responsible office.

B. Cost of the audit

Although a significant factor, cost may not be the deciding factor. Cost is particularly important when all other evaluation criteria are relatively equal.

C. Right to Reject

Cottonwood Heights reserves the right to reject any and all proposals submitted and to request additional information from all proposers. Any contract awarded will be made to the independent certified public accounting firm who, based on evaluation of all responses, applying all criteria and oral interviews, if necessary, is determined to be the best to perform the audit.

VIII. SUBMISSION OF PROPOSALS AND SELECTION PROCESS

Seven copies of your proposal must be submitted to:

Steve L. Fawcett, CGFM,  
Cottonwood Heights Finance Director  
1265 East Fort Union Blvd. Suite #250  
Cottonwood Heights UT 84047

no later than 5:00 p.m. on April 24, 2012. After a careful review of the proposals submitted, three firms will be recommended to the City Audit Committee to interview and make final recommendation for selection to the City Council of the firm that they believe best meets the needs of the city. Selection of the CPA firm will be made by May 22, 2012 and all firms submitting proposals will be notified immediately as to the selection results. No proposal will be considered that is not received at or prior to the above time and date.

IX. SOURCES OF INFORMATION

David Muir, City Treasurer/Financial Reporting Manager can be contacted at (801) 944-7077 for information necessary to complete the proposal. Audit reports and management letters from prior years will be available for inspection at the City offices and are also available on the City's and the Utah State Auditor's web sites.